

This is no time to raise car insurance assessment

BY MELVIN (BUTCH) HOLLOWELL • APRIL 19, 2009

As Michigan families struggle to make ends meet with tight budgets, the Michigan Catastrophic Claims Association hastily voted to increase the annual assessment passed on by insurers to policyholders from \$104.58 to \$124.89. This increase is just the latest example of why we need significant MCCA reform.

The MCCA, created in 1978, is run by private insurance companies to reimburse catastrophic auto injury claims exceeding \$440,000. The MCCA's voting board members include Progressive, AAA, State Farm, GMAC and Auto-Owners. It operates in relative secrecy, exempt from Michigan's sunshine laws -- the Open Meetings Act and the Freedom of Information Act. Technically, the state insurance commissioner is a member of MCCA's board, but he has no vote.

The MCCA makes estimates about potential claims. Oftentimes, these projections are over many decades. Its most recent estimates of expected claims were erroneous; the actual number of claims was far less than the association projected. So why this rate increase now?

Serious auto accidents in Michigan have declined 54 percent since 1996. That's 9,000 fewer accidents. The average number of miles driven is the lowest it has been in 17 years. Michigan drivers have America's highest rate of safety belt use (97.2%). And in 2008, annual traffic deaths per million vehicle miles traveled (1.37) were the lowest ever recorded.

Consumers are more than doing their part. Yet rates continue to go up, and company profits are at their highest levels. The average annual bill in Michigan is \$1,076, second only to New Jersey's statewide average of \$1,100. Michigan's \$436 average annual collision premium is the nation's highest. The old saw that rates are this high because no-fault covers all "reasonable and necessary" health care costs doesn't wash anymore. No-fault's health coverage is approximately 20% of the overall premium. And that portion ranks 22nd in the nation, not first. Gov. Jennifer Granholm has called for a change in law to make the MCCA more transparent. The state House moved in the right direction by passing laws requiring the MCCA to open its books and its meetings to the public. On the Senate side, Sen. Glenn Anderson, D-Westland, has introduced similar legislation, which adds a public representative to the MCCA board and gives votes to the insurance commissioner and the public representative.



The MCCA and the auto insurance industry have had Lansing in a 30-year headlock, securing preferential treatment and breathtaking deregulation, fueling their power and profits at the expense of consumers.

Legislators should stand with consumers and adopt this reform to ensure transparency and accountability.

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